

RESEARCH & ANALYSIS

Quarterly chart book for US banks in Q1'23 – Examining the liquidity crunch

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Market Intelligence

The liquidity crunch facing a number of banks that resulted in the second- and third-largest bank failures in US history were the hottest topics for readers of S&P Global Market Intelligence's bank research and analysis in the first quarter. The features provided data through the first quarter of 2023, details on failed bank transactions, and deep dives into bank funding and liquidity.

Sharp interest rate increases over the last 12 months and customers moving deposits into higher-yielding alternatives have put pressure on liquidity across the banking industry. In March 2023, some institutions with exposure to the venture capital and technology space saw their customers experience even higher cash burns, resulting in greater liquidity pressures. In the case of Silicon Valley Bank and Signature Bank, those pressures manifested in bank runs culminating in those banks' failures in March.

The Federal Deposit Insurance Corp. and Federal Reserve responded with historic action, backstopping all deposits at the two failed banks and placing them into bridge banks, while announcing a term lending facility that allows institutions to pledge many of the securities they own as collateral — at par — in exchange for financing.

In the weeks that followed, the FDIC marketed the two bridge banks and used a variety of structures to attract New York Community Bancorp Inc. to purchase Signature Bridge Bank and, more recently, First Citizens BancShares Inc. to acquire Silicon Valley Bridge Bank. While investors bought heavily into the buyers in those deals, the majority of bank stocks have taken significant hits due to uncertainty about the stability of banks' deposit bases and the potential for notably higher credit costs on the horizon.

This compilation showcases some of our most read data dispatches and short-term research articles focused on US banks in the first quarter and includes a PowerPoint of the most interesting charts from those pieces.

Top data-driven insights, research focused on bank liquidity in Q1'23

Deal for failed Silicon Valley carries record estimated cost to FDIC at \$20B

The estimated cost of Raleigh, NC-based First Citizens BancShares' acquisition of the failed bank to the FDIC is \$20 billion, which represents 11.98% of Silicon Valley Bank's assets, according to an S&P Global Market Intelligence analysis.

Community banks not likely to bear brunt of FDIC's special assessments

The nation's smallest banks will likely be shielded from impending special assessments to replenish the Deposit Insurance Fund.

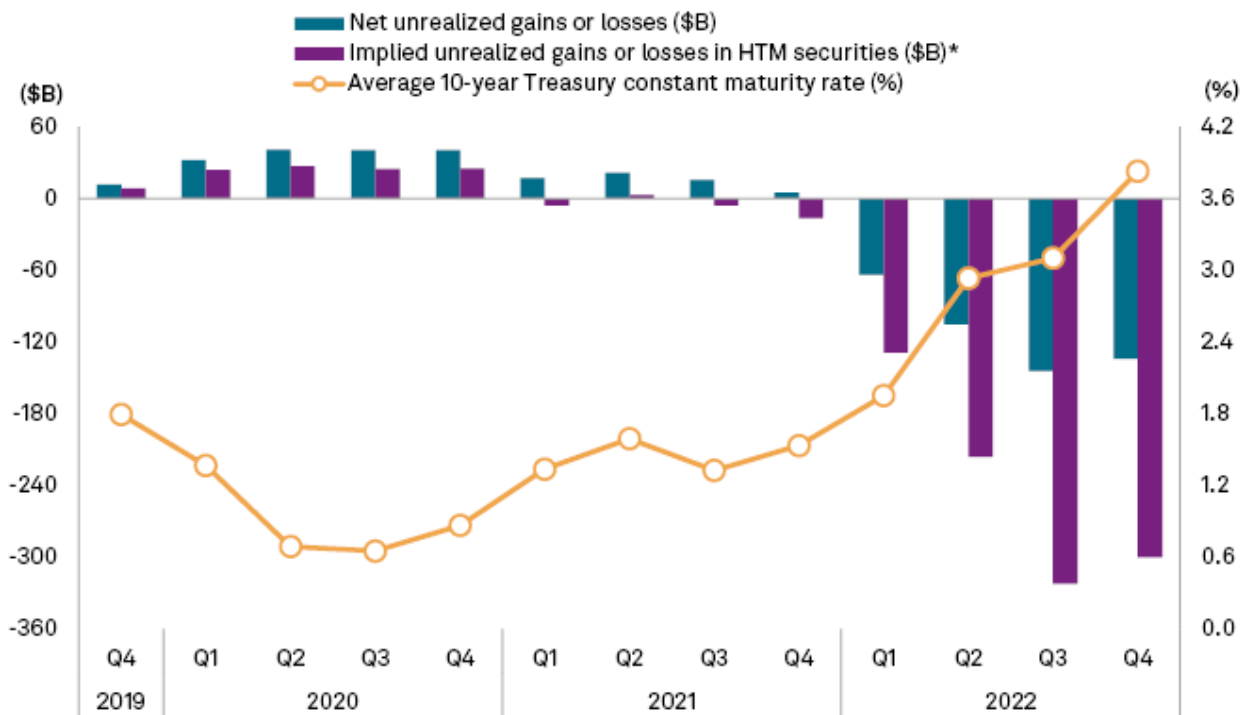
SVB, Signature racked up some high rates of uninsured deposits

The proportion of estimated uninsured domestic deposits at Silicon Valley Bank and Signature Bank was higher than most banks with over \$50 billion in assets.

US banks' liquidity crunch put underwater bond portfolios in focus

Bank bond portfolios remained deeply underwater in the fourth quarter of 2022, reducing banks' access to liquidity in the first quarter when deposits became far more precious.

Net unrealized gains or losses at US public banks



Data compiled March 20, 2023.

HTM = held-to-maturity

Analysis based on operating and historical U.S. public banks.

Net unrealized gains or losses based on GAAP filings.

* Data based on regulatory filings and represents the unrealized gains or losses on HTM securities by calculating the difference between the securities' fair value and amortized cost.

Sources: S&P Global Market Intelligence; Federal Reserve Board.

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Deposits slip in latest weekly data, contributing to drop in Q1

Flows showed relative stability during the third week after turmoil in the middle of March amid two large bank failures, but deposits have contracted rapidly so far in 2023.

New Fed facility borrowing rises for 3rd consecutive week amid liquidity crunch

Bank borrowing from the Federal Reserve's new Bank Term Funding Program increased for the third consecutive week since launching March 13, while discount window borrowing declined for the second consecutive week.

Western Alliance becomes least valuable bank stock by price-to-estimated EPS

The mid-March sell-off in bank stocks affected Western Alliance the most, resulting in a price-to-estimated 2023 earnings multiple of 3.2x.

New York Community accelerates transformation with Signature Bridge Bank deal

The addition of \$34 billion in deposits from Signature Bridge Bank will bring New York Community's loan-to-deposit ratio down to 88.31%, the lowest level for the company since its mutual-to-stock conversion in 1993 and more in line with peers.

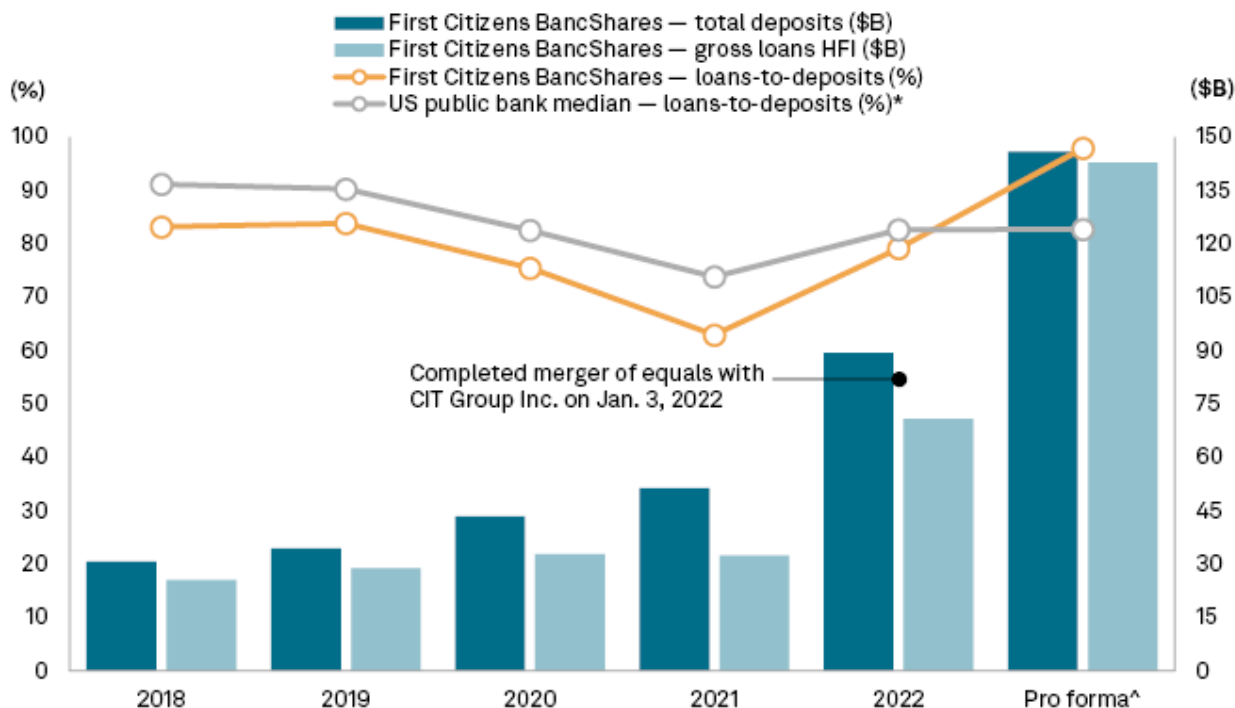
Potential SVB bidder First Citizens 3rd-most active failed bank buyer since 2008

If First Citizens BancShares Inc. purchases assets of the failed Silicon Valley Bank, it will not be the first time the Raleigh, NC-based bank has taken part in a government-assisted deal.

Silicon Valley Bank buy stands to double First Citizens' tangible book value

First Citizens BancShares Inc. just doubled in asset size for the second time in about two years, with a deal that was even better received than its early 2022 merger of equals, owing to a discount for Silicon Valley Bridge Bank NA that stands to deliver an enormous financial boost.

Loans and deposits at First Citizens BancShares



Data compiled March 27, 2023.

HFI = held for investment.

* Includes operating, liquidating and historical U.S. public banks. Excludes operating subsidiaries.

^ Pro forma data for First Citizens BancShares Inc. reflects the addition of \$56.49 billion in deposits and \$72.11 billion in loans of Silicon Valley Bridge Bank NA from a purchase and assumption agreement with the Federal Deposit Insurance Corp. The ratio for the U.S. public bank median increases by approximately 11 basis points from year-end 2022.

Data based on GAAP filings.

Source: S&P Global Market Intelligence.

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